

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Sidney	<b>County</b> Montcalm
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> June 5, 2006	<b>Date Accountant Report Submitted to State:</b> July 5, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
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<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 5, 2006

To the Township Board  
Township of Sidney  
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sidney, Montcalm County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sidney's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sidney, Montcalm County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Sidney covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$459,673.75 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$259,309.60 from governmental activities. Governmental activities had a \$54,922.16 decrease in net assets with major road improvements of \$150,886.07.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Current Tax Collection Fund.

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we made park improvements totaling \$6,010.00. The rest of the expenses incurred were normal operating expenses.

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$150,886.07.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$7,295.00 in capital assets.

The Township's governmental activities paid \$0 on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow at a 5% rate in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at P.O. Box 141, Sidney, Michigan 48885 or at 989-328-3535.

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	355 116 48
Taxes receivable	8 035 14
Special assessments receivable	<u>12 138 94</u>
Total Current Assets	<u>375 290 56</u>
NON-CURRENT ASSETS:	
Capital Assets	181 479 80
Less: Accumulated Depreciation	<u>(84 957 67)</u>
Total Non-current Assets	<u>96 522 13</u>
TOTAL ASSETS	<u><u>471 812 69</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>12 138 94</u>
Total Current Liabilities	<u>12 138 94</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>12 138 94</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	96 522 13
Unrestricted	<u>363 151 62</u>
Total Net Assets	<u>459 673 75</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>471 812 69</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	32 230 52	-	(32 230 52)
General government	63 810 57	17 469 52	(46 341 05)
Public safety	50 938 12	1 000 00	(49 938 12)
Public works	156 793 75	7 771 48	(149 022 27)
Culture and recreation	7 758 35	-	(7 758 35)
Other	2 700 45	-	(2 700 45)
Total Governmental Activities	<u>314 231 76</u>	<u>26 241 00</u>	<u>(287 990 76)</u>
General Revenues:			
Property taxes			46 345 78
State revenue sharing			166 700 45
Interest			8 683 41
Miscellaneous			<u>11 338 96</u>
Total General Revenues			<u>233 068 60</u>
Change in net assets			(54 922 16)
Net assets, beginning of year			<u>514 595 91</u>
Net Assets, End of Year			<u>459 673 75</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

<u>Assets</u>	<u>General</u>
Cash in bank	355 108 68
Taxes receivable	8 035 14
Special assessments receivable	12 138 94
Due from other funds	7 80
Total Assets	<u>375 290 56</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Deferred revenue	12 138 94
Total liabilities	<u>12 138 94</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	363 151 62
Total fund equity	<u>363 151 62</u>
Total Liabilities and Fund Equity	<u>375 290 56</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	363 151 62
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	181 479 80
Accumulated depreciation	<u>(84 957 67)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>459 673 75</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>
Revenues:	
Property taxes	46 345 78
Special assessments	7 771 48
Licenses and permits	1 000 00
State revenue sharing	166 700 45
Charges for services – PTAF	17 469 52
Interest	8 683 41
Miscellaneous	<u>11 338 96</u>
Total revenues	<u>259 309 60</u>
Expenditures:	
Legislative:	
Township Board	32 230 52
General government:	
Supervisor	7 388 00
Elections	560 00
Assessor	19 659 34
Clerk	9 593 96
Board of Review	821 20
Treasurer	14 329 11
Building and grounds	6 407 19
Cemetery	2 683 71
Public safety:	
Police protection	21 666 60
Liquor law enforcement	650 00
Fire protection	24 000 00
Planning and zoning	4 621 52
Public works:	
Highways and streets	150 886 07
Drains	5 907 68
Culture and recreation:	
Parks and recreation	6 846 95
Other functions:	
Payroll taxes	2 700 45
Capital outlay	<u>7 295 00</u>
Total expenditures	<u>318 247 30</u>
Excess (deficiency) of revenues over expenditures	(58 937 70)
Fund balance, April 1	<u>422 089 32</u>
Fund Balance, March 31	<u><u>363 151 62</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (58 937 70)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(3 279 46)
Capital Outlay	<u>7 295 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(54 922 16)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sidney, Montcalm County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sidney. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was .8058 mills, and the taxable value was \$57,089,258.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Furniture and equipment	10-30 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>355 116 48</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	187 910 37
Uninsured and Uncollateralized	<u>167 872 88</u>
Total Deposits	<u>355 783 25</u>

The Township of Sidney did not have any investments as of March 31, 2006.



TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
<u>Governmental Activities:</u>				
Land	29 550 00	6 010 00	-	35 560 00
Buildings	79 000 00	-	-	79 000 00
Equipment	65 634 80	1 285 00	-	66 919 80
Total	174 184 80	7 295 00	-	181 479 80
Accumulated Depreciation	(81 678 21)	(3 279 46)	-	(84 957 67)
Net Capital Assets	<u>92 506 59</u>	<u>4 015 54</u>	<u>-</u>	<u>96 522 13</u>

**Note 5 – Pension Plan**

The Township does not have a pension plan.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Sidney does not issue building permits. Building permits are issued by the County of Montcalm.

**Note 9 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	7 80	Current Tax Collection	7 80
Total	<u>7 80</u>	Total	<u>7 80</u>

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	39 106 59	39 106 59	46 345 78	7 239 19
Special assessments	6 713 00	6 713 00	7 771 48	1 058 48
Licenses and permits	1 755 98	1 755 98	1 000 00	(755 98)
State revenue sharing	160 808 00	160 808 00	166 700 45	5 892 45
Charges for services:				
Property tax administration	3 009 66	3 009 66	17 469 52	14 459 86
Interest	8 000 00	8 000 00	8 683 41	683 41
Miscellaneous	8 697 91	8 697 91	11 338 96	2 641 05
Total revenues	<u>228 091 14</u>	<u>228 091 14</u>	<u>259 309 60</u>	<u>31 218 46</u>
Expenditures:				
Legislative:				
Township Board	60 000 00	53 000 00	32 230 52	(20 769 48)
General government:				
Supervisor	8 500 00	8 500 00	7 388 00	(1 112 00)
Elections	5 000 00	5 000 00	560 00	(4 440 00)
Assessor	25 000 00	25 000 00	19 659 34	(5 340 66)
Clerk	11 000 00	11 000 00	9 593 96	(1 406 04)
Board of Review	1 500 00	1 500 00	821 20	(678 80)
Treasurer	15 500 00	15 500 00	14 329 11	(1 170 89)
Building and grounds	20 000 00	18 000 00	6 407 19	(11 592 81)
Cemetery	7 500 00	7 500 00	2 683 71	(4 816 29)
Public safety:				
Police protection	25 000 00	25 000 00	21 666 60	(3 333 40)
Liquor law enforcement	650 00	650 00	650 00	-
Fire protection	30 000 00	30 000 00	24 000 00	(6 000 00)
Planning and zoning	9 500 00	9 500 00	4 621 52	(4 878 48)
Public works:				
Highways and streets	250 000 00	250 000 00	150 886 07	(99 113 93)
Drains	8 000 00	8 000 00	5 907 68	(2 092 32)
Culture and recreation:				
Parks and recreation	7 500 00	7 500 00	6 846 95	(653 05)
Other functions:				
Payroll taxes	5 500 00	5 500 00	2 700 45	(2 799 55)
Capital outlay	7 000 00	9 000 00	7 295 00	(1 705 00)
Total expenditures	<u>497 150 00</u>	<u>490 150 00</u>	<u>318 247 30</u>	<u>(171 902 70)</u>
Excess (deficiency) of revenues over expenditures	(262 058 86)	(262 058 86)	(58 937 70)	203 121 16
Fund balance, April 1	<u>368 695 58</u>	<u>368 695 58</u>	<u>422 089 32</u>	<u>53 393 74</u>
Fund Balance, March 31	<u>106 636 72</u>	<u>106 636 72</u>	<u>363 151 62</u>	<u>256 514 90</u>

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2006

Township Board:	
Wages	4 158 94
Professional services	11 367 90
Insurance	4 198 00
Printing	564 60
Supplies	3 746 69
Telephone	1 316 74
Miscellaneous	6 877 65
	<u>32 230 52</u>
Supervisor:	
Salary	7 388 00
	<u>7 388 00</u>
Elections:	
Wages	560 00
	<u>560 00</u>
Assessor:	
Contracted services	19 232 36
Supplies	426 98
	<u>19 659 34</u>
Clerk:	
Salary – Clerk	9 235 00
Salary – Deputy clerk	200 00
Supplies	158 96
	<u>9 593 96</u>
Board of Review:	
Wages	540 00
Miscellaneous	281 20
	<u>821 20</u>
Treasurer:	
Salary – Treasurer	12 928 92
Salary – Deputy treasurer	1 155 00
Supplies	245 19
	<u>14 329 11</u>
Building and grounds:	
Contracted services	2 367 00
Utilities	2 041 00
Supplies	1 463 56
Repairs and maintenance	535 63
	<u>6 407 19</u>
Cemetery:	
Contracted services	2 400 00
Utilities	99 46
Miscellaneous	184 25
	<u>2 683 71</u>
Police protection:	
Contracted services	21 666 60
	<u>21 666 60</u>
Liquor law enforcement:	
Wages	650 00
	<u>650 00</u>

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2006

Fire protection:	
Contracted services	<u>24 000 00</u>
Planning and zoning:	
Contracted services	3 530 00
Supplies	709 62
Miscellaneous	<u>381 90</u>
Highways and streets:	<u>4 621 52</u>
Contracted services	149 496 94
Street lights	<u>1 389 13</u>
Drains:	<u>150 886 07</u>
Contracted services	<u>5 907 68</u>
Parks and recreation:	
Contracted services	4 686 50
Utilities	237 67
Supplies	1 811 72
Miscellaneous	<u>111 06</u>
	<u>6 846 95</u>
Payroll taxes	<u>2 700 45</u>
Capital outlay	<u>7 295 00</u>
Total Expenditures	<u><u>318 247 30</u></u>

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>7 78</u>	<u>1 619 628 71</u>	<u>1 619 628 69</u>	<u>7 80</u>
<u>Liabilities</u>				
Due to General Fund	7 78	71 150 96	71 150 94	7 80
Due to (from) other units	<u>-</u>	<u>1 548 477 75</u>	<u>1 548 477 75</u>	<u>-</u>
Total Liabilities	<u>7 78</u>	<u>1 619 628 71</u>	<u>1 619 628 69</u>	<u>7 80</u>

TOWNSHIP OF SIDNEY  
Montcalm County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2006

Cash in bank – beginning of year	<u>7 78</u>
Cash receipts:	
Property taxes	1 603 583 68
Administration fees	15 895 70
Interest	<u>149 33</u>
Total cash receipts	<u>1 619 628 71</u>
Total beginning balance and cash receipts	<u>1 619 636 49</u>
Disbursements:	
Township General Fund	71 150 94
Montcalm County	620 428 57
Montcalm Area Intermediate School District	186 676 14
Central Montcalm School District	564 677 10
Greenville Public School	26 980 95
Montcalm Community College	140 250 49
Refunds	<u>9 464 50</u>
Total disbursements	<u>1 619 628 69</u>
Cash in Bank – End of Year	<u><u>7 80</u></u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 5, 2006

To the Township Board  
Township of Sidney  
Montcalm County, Michigan

We have audited the financial statements of the Township of Sidney for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Sidney in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Sidney  
Montcalm County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants